

North Dakota Office of State Tax Commissioner

2000 Schedule 7

Recomputation of federal income tax liability on Form 37-S of nonresident filer
whose non-North Dakota losses exceed non-North Dakota income

Attach to
2000
Form 37-S or Form 38

- This schedule is to be used by a nonresident individual, estate or trust **only if** certain conditions apply — see **Who must complete** below
- References to Federal Form 1040 are for Form 37-S filers and references to Federal Form 1041 are for Form 38 (Schedule 1) filers

1. Net income reportable to North Dakota by nonresident individual, estate or trust (<i>See instructions</i>)	1		
2. Amount from Federal Form 1040, line 36 or Federal Form 1041, line 16	2		
3. Amount from Federal Form 1040, line 38 or Federal Form 1041, line 20	3		
4. Recomputed federal taxable income (<i>Line 1 less lines 2 and 3</i>)	4		
5. Recomputed federal income tax from: (check one) <input type="checkbox"/> Federal tax table (individual only); or <input type="checkbox"/> Federal tax rate schedule; or <input type="checkbox"/> Schedule D (Form 1040 or Form 1041) (<i>See instructions for the appropriate method to use</i>)	5		
If Federal Form 6251 or Schedule I of Federal Form 1041 was required to be completed, complete lines 6 through 8. Otherwise, enter the amount from line 5 on line 9 and go to line 10.			
6. Tentative minimum tax from Federal Form 6251, line 28 or Federal Form 1041, Schedule I, line 39. If zero, enter -0- on line 8 and go to line 9	6		
7. Enter amount from line 5 above	7		
8. Recomputed federal alternative minimum tax (<i>Subtract line 7 from line 6</i>). If zero or less, enter -0- on this line and go to line 9	8		
9. Balance (<i>Add lines 5 and 8</i>)	9		
10. Credit for prior year minimum tax from Federal Form 8801, line 25 or Federal Form 1041, Schedule G, line 2d	10		
11. Recomputed federal income tax liability (<i>Subtract line 10 from line 9</i>). Enter this amount on lines 1 and 12, Adjustment Schedule (Form 37-S) or on lines 1 and 9, Schedule 1, Form 38	11		

Attach this schedule to Form 37-S or Form 38, whichever applies

Instructions

Who must complete

If a nonresident individual uses Form 37-S (Short Form), or if a nonresident estate or trust uses Schedule 1 (Short Method) on Form 38, North Dakota Administrative Code § 81-03-02.2-03 requires the recomputation of the federal income tax liability if both of the following apply:

- Losses from sources outside North Dakota exceed income from sources outside North Dakota.
- Income from North Dakota sources exceeds losses from North Dakota sources.

In the case of an individual, this applies only if the individual was a nonresident of North Dakota for the entire tax year.

The purpose of the recomputation is to remove the effect of the net out-of-state loss on the federal income tax liability, resulting in an increase in the amount of the federal income tax liability for purposes of Form 37-S or Schedule 1 (Short Method), Form 38.

Line 1

For a nonresident individual, enter the amount from Schedule NR, column B, line 27. For a nonresident estate or trust, enter the portion of the amount from Form 38, Schedule 1, line 2 that is reportable to North Dakota. If this amount is zero or less, this schedule does not have to be completed.

Line 5

Recompute the federal income tax using the applicable method below:

- **Federal tax table (individual only).** An individual generally must use this method if the recomputed federal taxable income on line 4 is less than \$100,000 and the taxable year is not less than twelve months due to a change in the annual accounting method. Use the column in the federal tax table that corresponds to the individual's federal filing status.
- **Federal tax rate schedule.** An individual generally must use this method if the recomputed federal taxable income on line 4 is \$100,000 or more, or if the taxable year is less than twelve

months due to a change in the annual accounting method. Use the federal tax rate schedule (either X, Y or Z) that corresponds to the individual's federal filing status.

An estate or trust generally must use this method.

- **Schedule D (Form 1040 or Form 1041).** If the amount on line 1 of Schedule 7 includes a net long-term capital gain, the recomputed federal income tax may be calculated as follows: Obtain and complete a separate Schedule D (Form 1040 or Form 1041) using only the recomputed federal taxable income (and capital gains and losses included in it) from line 4 of Schedule 7. Write "North Dakota Schedule 7" at the top of the Schedule D. Attach a copy of the Schedule D to your North Dakota return (behind Schedule 7).

Line 11

Enter the recomputed federal income tax liability on lines 1 and 12, Adjustment Schedule (Form 37-S) or on lines 1 and 9, Schedule 1, Form 38. Do not complete lines 2 through 11 on Adjustment Schedule (Form 37-S) or lines 2 through 8 on Schedule 1, Form 38.